



Letter to Stakeholders

3rd quarter
2003



This is my sixth Letter to Stakeholders. The banking and thrift industries continue to enjoy record earnings and low failure rates. However, the anticipation of faster economic growth in the second half of 2003 has contributed to volatility in long-term interest rates that could pose new challenges for banking and thrift institutions – particularly those that specialize in mortgage lending. To stay informed and follow the FDIC's efforts to identify risks to the industry, please try to routinely check:

www.fdic.gov.

Don Powell
Chairman

Our Priorities

Stability

- Implemented improvements to the loss reserve methodology as proposed by McKinsey & Co.
- Announced with FRB and OCC a new interagency electronic filing system allowing faster and easier submission and public retrieval of beneficial ownership reports filed by directors, officers, and principal shareholders of institutions.
- Chairman Powell addressed the American Bankers Association on the need to remain watchful for emerging risks and potential imbalances during what continues to be a prosperous era for banks.
- Launched new improved FDIC web site to make it faster and easier for bankers, financial analysts, consumers and others to use online services.

Sound Policy

- Published an Advance Notice of Proposed Rulemaking regarding "Risk-Based Capital Guidelines; Implementation of New Basel Capital Accord."
- Issued examination guidance for FDIC-supervised institutions engaged in payday lending, necessitated by the high-risk nature and the substantial growth of this business line.
- Conducted a commercial real estate roundtable where industry experts discussed market fundamentals, the investment outlook, and possible risks to FDIC insured institutions.

Stewardship

- Began a comprehensive assessment of the Corporation's IT program, with emphasis on the Division of Information Resources Management (DIRM).
- Inducted "Deans" into the FDIC Corporate University and formally established its governance structure. These senior executives will be the link between Corporate University training initiatives and FDIC program areas.
- Vice Chairman Reich hosted interagency meetings with bank executives in Denver and San Francisco to gather their perspectives on regulatory reform under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). The federal banking agencies issued an EGRPRA Federal Register notice seeking industry and public comment on the regulatory review program and the first set of regulations.
- Began construction two months early of the new Virginia Square building. Consolidation of headquarters staff from leased facilities will occur in early 2006, resulting in estimated cost savings of more than \$78 million over 20 years.
- Launched a Korean-language version of *Money Smart* in Los Angeles in early July.

Our Key Indices Most Current Data ▼

| Insurance | | | | | | |
|---------------------------------|----------|----------|----------|----------|------------|----------|
| Updated quarterly (\$ billions) | BIF | | SAIF | | Both Funds | |
| | Q2 2002 | Q2 2003 | Q2 2002 | Q2 2003 | Q2 2002 | Q2 2003 |
| # Insured Inst. | 8,226 | 8,080 | 1,256 | 1,202 | 9,482 | 9,282 |
| \$ Insured Inst. | \$ 6,985 | \$ 7,779 | \$ 1,063 | \$ 1,154 | \$ 8,048 | \$ 8,933 |
| Insured Deposits | \$ 2,491 | \$ 2,540 | \$ 819 | \$ 876 | \$ 3,310 | \$ 3,416 |
| Fund Balances | \$ 31.2 | \$ 32.8 | \$ 11.3 | \$ 12.1 | \$ 42.5 | \$ 44.9 |
| Reserve Ratios | % 1.25 | % 1.29 | % 1.38 | % 1.38 | % 1.28 | % 1.31 |

Supervision

| YTD | 9/30/2002 | 9/30/2003 |
|--|-----------|-----------|
| Total Number of FDIC Supervised Institutions | 5,417 | 5,343 |
| Bank Examinations: | | |
| Safety and Soundness | 2,018 | 1,872 |
| Compliance and CRA | 1,376 | 1,440 |
| Insurance and Other Applications Approved | 2,030 | 2,090 |
| Formal and Informal Enforcement Actions | 307 | 381 |

Receiverships

| YTD (\$ millions) | BIF | | SAIF | | Both Funds | |
|-----------------------|----------|----------|---------|---------|------------|----------|
| | Q3 2002 | Q3 2003 | Q3 2002 | Q3 2003 | Q3 2002 | Q3 2003 |
| Total Receiverships | 37 | 32 | 4 | 2 | 41 | 34 |
| Assets in Liquidation | \$ 979 | \$ 444 | \$ 421 | \$ 381 | \$ 1,400 | \$ 825 |
| Collections | \$ 1,284 | \$ 1,473 | \$ 89 | \$ 31 | \$ 1,373 | \$ 1,504 |
| Dividends Paid | \$ 859 | \$ 876 | \$ 919 | \$ 2 | \$ 1,778 | \$ 878 |

Income

| YTD (\$ millions) | BIF | | SAIF | | Both Funds | |
|----------------------|---------|----------|---------|---------|------------|----------|
| | Q2 2003 | Q3 2003 | Q2 2003 | Q3 2003 | Q2 2003 | Q3 2003 |
| Assessment Income | \$ 38 | \$ 60 | \$ 8 | \$ 11 | \$ 46 | \$ 71 |
| Interest | \$ 801 | \$ 1,153 | \$ 276 | \$ 400 | \$ 1,077 | \$ 1,553 |
| Comprehensive Income | \$ 750 | \$ 1,412 | \$ 336 | \$ 439 | \$ 1,086 | \$ 1,851 |

Resources

| (\$ millions) | Budget/Expenditures | | | | On Board Staff | |
|---------------|---------------------|--------------------|------------------|--------------------------|----------------|-----------------|
| | Total | Ongoing Operations | Recvrshp Funding | Major Investment Funding | Q3 2003 | Target Y/E 2003 |
| Annual Budget | \$ 1,113 | \$ 985 | \$ 75 | \$ 53 | 5,344 | 5,568 |
| YTD Expended | \$ 736 | \$ 691 | \$ 33 | \$ 12 | | |

▼ Financial data is unaudited
• Data as of September 20, 2003